

## Message Text

SECRET

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W  
-----052352 310154Z /73

O 302325Z MAR 78  
FM AMEMBASSY LA PAZ  
TO SECSTATE WASHDC IMMEDIATE 125

S E C R E T SECTION 1 OF 2 LA PAZ 2605

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DEPT ALSO PASS SECRETARY

E.O. 11652: XGDS-3  
TAGS: PINT, ECON, BL  
SUBJECT: MEETING WITH PRESIDENT BANZER

REF: (A) STATE 81860, (B) STATE 81744

1. I SPENT AN HOUR AT NOON TODAY WITH BANZER, WHO WAS  
ACCOMPANIED BY GENERAL LECHIN, MINISTER OF PLANNING, BECAUSE,  
BANZER SAID, HE ASSUMED TIN WOULD BE A TOPIC.

2. ISAID THAT THE US GOVERNMENT UNDERSTOOD THAT BANZER AND THE  
GOVERNMENT OF THE ARMED FORCES WERE APPROACHING A CRITICAL DECISION  
POINT ON ELECTIONS. WE, THEREFORE, WANTED TO MAKE CLEAR, AND EX-  
PAND ON OUR VIEW OF ELECTIONS AND OUR OFFERS OF COOPERATION IN  
SUPPORT OF EARLY ELECTIONS. THE U.S. GOVERNMENT BELIEVES STRONG-  
LY THAT EARLY ELECTIONS, AS CALLED BY BANZER FOR JULY, ARE OF  
GREAT IMPORTANCE FOR BOLIVIA AND THE REGION. YOU (BANZER),  
I CONTINUED, HAVE SAID EARLY ELECTIONS WILL:

-- SET AN EXAMPLE FOR THE HEMISPHERE  
--IMPROVE BOLIVIA'S SECURITY IN THE REGION AND AID ITS  
CAUSE FOR AN OUTLET TO THE SEA

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-- INCREASE INTERNATIONAL ECONOMIC SUPPORT FOR BOLIVIA.  
AND YOU ARE RIGHT.

3. IT IS, I CONTINUED, FOR YOUR NOT US TO JUDGE THE INTER-  
NAL POLITICAL FACTORS WEIGHING IN YOUR AND THE ARMED FORCES  
DECISION. BUT WE ARE CONVINCED THE INTERNATIONAL POSITION  
OF BOLIVIA AND THE HEALTH OF ITS ECONOMY ARGUE FOR, NOT

AGAINST, EARLY ELECTIONS. OUR COOPERATION WILL BE DIRECT-ED TO THIS END. THE SUPPORT FOR AN ELECTED GOVERNMENT WE ARE CONSIDERING INCLUDED THE PL-480 TITLE III PROGRAM OF UP TO \$90 MILLION AND A SIGNIFICANT INCREASE IN THE FY 78 AID PROGRAM IF UNUSED FUNDS WERE AVAILABLE IN THE LATIN AMERICAN REGION, AS NOW APPEARED LIKELY. WE WOULD ALSO SUPPORT A REASONABLE IMF PROGRAM FOR BOLIVIA AS SOON AS POSSIBLE AFTER ELECTIONS. I ADDED THAT IF WE COULD WORK OUT A NEW BILATERAL OPIC AGREEMENT, THERE WAS AT LEAST ONE US BANK INTERESTED IN A SUBSTANTIAL LOAN FOR MEDIUM-TERM PROJECTS WHICH COULD BE ARRANGED SO AS TO PROVIDE A FRONT-END BALANCE OF PAYMENTS IMPACT. IF ELECTIONS DID NOT TAKE PLACE THIS YEAR, OUR OFFICIAL SUPPORT WOULD HAVE TO BE RECONSIDERED.

4. WITH RESPECT TO TIN, BOLIVIA'S REPRESENTATIONS HAD BEEN HEARD AND WE WERE PREPARED TO MODIFY OUR PLANS IN SOME RESPECTS, ALTHOUGH WE AND OTHER PRODUCERS WISH TO SEE REASONABLE SALES TO MITIGATE SUPPLY SHORTFALLS IN COMING YEARS AND ASSURE AT LEAST THE PRESENT LEVEL OF USAGE FOR TIN OVER THE LONGER TERM. SPECIFICALLY, WE COULD ASSURE HIM THERE WOULD BE NO GSA SALES UNDER THE EXPECTED NEW AUTHORITY BEFORE BOLIVIAN ELECTIONS IN JULY. WE WOULD ALSO WORK WITH THE CONGRESS WHERE A REDUCTION IN TOTAL NEW AUTHORITY FROM 45,000 TO 30,000 TONS WAS UNDER CONSIDERATION.

5. I NOTED THAT SOME OF BANZER'S PRIVATE SECTOR ADVISERS  
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WERE TELLING HIM THE TIN PRICE WILL CONTINUE TO FALL SHARPLY AS A RESULT OF GSA PLANS, THUS DAMAGING THE BOLIVIAN ECONOMY SEVERELY. THESE ADVISERS WERE WRONG. WE WANT TIN TO HAVE NOTHING TO DO WITH THE GOB'S DECISION ON ELECTIONS AND ARE PREPARED TO ESTABLISH THAT THIS IS INDEED THE CASE AND THAT WE HAVE DONE ALL POSSIBLE TO ASSURE THAT THERE ARE NO GROUNDS FOR ARGUING AGAINST ELECTIONS ON THE BASIS OF TIN POLICY.

TO ASSURE THAT THIS IS CLEAR, I TOLD BANZER WE WANTED TO UNDERLINE A GENERAL, BUT SINCERE CONFIDENTIAL OFFER. IF HE REALLY BELIEVED THAT A PARTICULAR GSA SALES PROGRAM IN 1978 WAS CRITICAL TO MAINTAINING JULY ELECTION PLANS, THEN WE WERE ENCOURAGING HIM TO TELL US WHAT THIS WAS. WE WERE COMMITTED TO AVOID MARKET DISRUPTION AND I WAS CONFIDENT THAT IF HIS PEOPLE WOULD GIVE US THEIR CONCEPT OF WHAT 1978 SALES PROGRAM WOULD DO THIS, WE WOULD DO WHAT WE COULD IN FURTHER NEGOTIATIONS WITHIN THE CONGRESS AND ADMINISTRATION TO COME AS CLOSE AS WE COULD TO LEGITIMATE BOLIVIAN REQUIREMENTS.

6. OUR OBJECTIVE, I SAID, WAS NOT TO WIN PUBLIC DEBATES, SO I WOULD NOW SAY NOTHPNG ABOUT THIS PUBLICLY. OUR OBJECTIVE WAS TO FACILITATE THE GOB'S DECISION ON ELECTIONS. BANZER COULD USE THIS OFFER AS NECESSARY WITH HIS COMMANDERS

AND MINISTERS TO ASSURE THEM THAT THE ECONOMY AND TIN WERE ARGUMENTS FOR, NOT AGAINST, ELECTIONS. FOR NOW THESE WERE THE PEOPLE WHO HAD TO UNDERSTAND THAT THE US HAD DONE ALL POSSIBLE TO PROVE THIS POINT.

7. BANZER LISTENED TO ALL THIS VERY INTENTLY, WHILE GENERAL LECHIN SQUIRMED CONTINUALLY. IN RESPONDING, BANZER SAID HE WANTED TO TALK ABOUT ECONOMICS FIRST AND POLITICS SECOND.

8. BANZER SAID MY AMPLIFICATION ON THE PROSPECTS FOR US ECONOMIC SUPPORT FOR THE ELECTED GOVERNMENT WERE VERY ENCOURAGING INDEED AND MEANT THE NEW GOVERNMENT WOULD PROBABLY HAVE FEWER ECONOMIC PROBLEMS AFTER AUGUST 9 THAN HE HAD  
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NOW. HE WAS STILL PREOCCUPIED WITH FINANCING TOMORROW AND, THEREFORE, WANTED ME TO EXPAND ON THE POSSIBILITY OF THE BANK LOAN. I TOLD HIM THERE WERE TWO SIDES TO THIS, AN OPIC GUARANTEE, WHICH THE BANK REQUIRED, AND THE PRIVATE BANK'S DECISION. WE NEEDED, THEREFORE, TO CONCLUDE A NEW OPIC BILATERAL TO MAKE THIS LOAN POSSIBLE. BUT IF HE FOUND THIS ATTRACTIVE, I WOULD GET AN OPIC PRIVATE BANK TEAM

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TO SECSTATE WASHDC IMMEDIATE 126

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HERE NEXT WEEK TO PURSUE THIS. BANZER ASKED ME TO DO THIS AND

ASKED LECHIN TO SEE THAT THE BOLIVIAN SIDE PURSUED THIS OPPORTUNITY.

9. ON TIN, BANZER SAID HE WELCOMED OUR COMMENTS BECAUSE BOLIVIA DESPERATELY NEEDED A CHANGE IN US TIN SALES PLANS. THE ANNOUNCEMENT ALONE OF ADMINISTRATION SUPPORT FOR THE DECONCINI BILL HAD COST BOLIVIA \$45 MILLION IF TODAY'S PRICE, RATHER THAN THE PRICE IMMEDIATELY BEFORE THE ANNOUNCEMENT, WERE THE ONE THAT PREVAILED FOR THE YEAR. THEREFORE, BOLIVIA'S POSITION HAD TO BE TO OPPOSE ANY SALES IN 1978.

10. I RESPONDED THAT THIS WAS NOT A VERY SOPHISTICATED WAY TO LOOK AT BOLIVIA'S ESSENTIAL INTEREST, GIVEN THAT THE INTERESTS OF OTHER PRODUCERS, WHICH WERE DIFFERENT, AND CONSUMERS WERE INVOLVED AS WELL. IT WOULD BE MORE LOGICAL TO LOOK AT BOLIVIA'S ESSENTIAL INTERESTS THIS YEAR IN TERMS OF A PRICE OR INCOME LEVEL AND TO CONSIDER TOGETHER WHAT GSA SALES WOULD BE CONSISTENT WITH THAT OBJECTIVE. FROM THE STANDPOINT OF AVOIDING A SPECULATIVE, DEPRESSING EFFECT ON THE TIN PRICE, I PERSONALLY THOUGHT BOLIVIA COULD BE BETTER OFF TO HAVE DEFINED PRECISELY AS EARLY AS POSSIBLE JUST WHAT GSA WOULD SELL THIS YEAR AND NEXT AND BEYOND, RATHER THAN TO JUST PLAY FOR MORE DELAY.

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BUT MY OFFER WAS TO PRESS THEM TO DEFINE THEIR NEEDS SO WE COULD, WITH THE BEST OF GOOD WILL, SEE HOW FAR WE COULD GO TO MEET THEM. GENERAL LECHIN PROPOSED THAT HE AND I MEET MONDAY TO PURSUE THIS AND BANZER AND I AGREED TO PROCEED THIS WAY.

11. ON ELECTION PROSPECTS, BANZER SIMPLY WANTED US TO KNOW JUST WHERE THINGS STOOD, HE, BANZER, FAVORED CONTINUING WITH

ELECTION PLANS, BUT THERE WERE DEEP PROBLEMS AND THESE WOULD HAVE TO BE ANALYZED BY THE LEADERS OF THE ARMED FORCES WHOM HE HAD CONVENED FOR MONDAY. THE ARMED FORCES GOVERNMENT WOULD HAVE TO DECIDE WHAT "CORRECTIONS IN COURSE" WERE REQUIRED. THE BIGGEST PROBLEM WAS AN EFFORT TO DIVIDE THE ARMED FORCES, WHICH WAS ALWAYS A THREAT TO PEACEFUL GOVERNMENT IN BOLIVIA.. GENERAL BERNAL WAS BEING USED BY THOSE ELEMENTS WHO WANTED TO DIVIDE THE ARMED FORCES (AND BANZER WAS OBVIOUSLY DEEPLY CONCERNED ABOUT THIS). BANZER SAID THE UNITY OF THE ARMED FORCES HAD TO BE MAINTAINED AT ALL COSTS.

12. I SAID IT SEEMED TO ME THE BEST WAY TO MAINTAIN THE UNITY OF THE ARMED FORCES UNDER THESE CIRCUMSTANCES WAS A DECLARATION OF NEUTRALITY ON THEIR PART. BANZER SAID "YOU MEAN HAVE BOTH PEREDA AND BERNAL WITHDRAW?" I SAID NO; I WAS REFERRING SIMPLY TO A POSSIBLE DECLARATION OF NON-INVOLVEMENT BY THE ARMED FORCES IN AN ELECTION IN WHICH TWO RETIRED GENERALS HAPPENED

TO BE CANDIDATES. BANZER (FOR THE FIRST TIME EVER IN MY MEETINGS WITH HIM) FUMBLER AROUND A LITTLE ON THIS POINT AND FINALLY SAID: "THAT WOULD BE IMPOSSIBLE IN BOLIVIA". THE ARMED FORCES CANNOT DENY THAT THEY ARE A POLITICAL FORCE AT THIS POINT (THIS GOVERNMENT OF THE ARMED FORCES IS A "NATIONALIST" GOVERNMENT. AND GENERAL PEREDA IS A "NATIONALIST". THEREFORE, JUST AS INCUMBENT DEMOCRATIC GOVERNMENTS

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IN THE US WORK FOR ELECTION OF DEMOCRATIC CANDIDATES, SO MEMBERS OF THE ARMED FORCES WERE GOING TO FEEL OBLIGATED TO WORK FOR PEREDA. BERNAL WAS NOT A "NATIONALIST" BUT A TOOL OF ANTI-DEMOCRATIC FORCES WHOSE APPROACH WAS HEADED FOR VIOLENCE NOT WINNING ELECTIONS.

13. IN CONCLUDED BY WISHING BANZER THE BEST IN THE RESULT HE SAID HE FAVORED FOR THE MONDAY MEETING AND EXPRESSING THE HOPE THAT OUR VERY CLEAR VIEW OF SUPPORT FOR ELECTIONS WOULD HELP.

14. COMMENT: THE FOX'S STATEMENT THAT HE FAVORS MAINTAINING THE JULY ELECTION SCHEDULE SHOULD NOT BE SWALLOWED WHOLE. HE MOST PROBABLY DOES NOT FAVOR THIS COURSE AND AT BEST HAS NOT MADE UP HIS MIND YET. THE ODDS ARE CERTAINLY AGAINST JULY ELECTIONS, BUT WE MAY HAVE NARROWED THEM A LITTLE. I CHOOSE TO PITCH MY REMARKS ENTIRELY TO MAINTAINING THE JULY ELECTION SCHEDULE, RATHER THAN THE HIGH-ROAD AND LOW-ROAD FORMS OF POSTPONEMENT SINCE THERE STILL IS A SMALL CHANCE OF MAINTAINING THE SCHEDULE AND OUR ARGUMENTS CAN TRANSLATE SIMPLY ENOUGH IN BANZER'S MIND TO ARGUMENTS FOR THE HIGH ROAD. WE WILL HAVE TO WAIT FOR THE GOB'S DECISION NEXT WEEK. IN THE MEANTIME, I WILL ENCOURAGE PEREDA TO STAY THE COURSE (SINCE HIS WITHDRAWAL WOULD PULL THE PLUG ON ELECTIONS) AND SEE THAT MARIO MERCADO (MOST STRIDENT CIVILIAN OPPONENT OF JULY ELECTIONS) AND THE ARMY KNOW WHERE WE STAND.

BOEKER

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## Message Attributes

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